



PAPER AC17/5

AUDIT COMMITTEE

A meeting of the Audit Committee was held in the Strategic Co-ordination Centre, Police Headquarters, Martlesham on Friday 24 March 2017 at 9.15am.

PRESENT:

Members

Ian Blofield, Robert Millea, Andrew Peck and David Rowe (Chair).

Office of the Police and Crime Commissioner

Liz Hollingworth (Business Administration and Policy Officer), Christopher Jackson (Chief Executive) and Tim Passmore (Police and Crime Commissioner).

Chris Bland (Chief Finance Officer for the PCC and Chief Constable).

Suffolk Constabulary

James Close (Director of Joint ICT, for items 1 – 3), Peter Jasper (Head of Joint Finance) and Gareth Wilson (Chief Constable).

Present by invitation

Fiona Dodimead (Audit Director, TIAA), Chris Harris (Head of Internal Audit, TIAA), Chris Hewitt (Audit Manager, Ernst and Young), Kevin Suter (Executive Director, Ernst and Young).

PUBLIC AGENDA

INTRODUCTORY REMARKS

The Chair welcomed attendees to the meeting and asked for a moment of reflection following the attack in Westminster on Wednesday 22 March 2017. The Chair expressed his thanks to the Chief Constable and all the officers and staff at Suffolk Constabulary for the work they do to keep Suffolk safe.

1. DECLARATIONS OF INTERESTS

1.1 The Chair advised that, in relation to item 4 on the agenda (the Suffolk Internal Audit Progress Report) which included the results of the Pension Audit, he was Vice-Chair of

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the Local Government Pensions Board which included the pension scheme for police staff.

2. MINUTES OF THE PREVIOUS MEETING (Paper AC17/1)

2.1 The minutes of the Audit Committee held on 9 December were agreed as a true record and signed by the Chair.

2.2 Updates on the actions arising from the meeting had been circulated in advance. The following updates were provided at the meeting:

3.7 An update on the HR recruitment recommendations would be covered in Paper AC17/2.

3.15 The Chief Finance Officer had been asked to provide reassurance that recommendation 5 in the Duty Management System (DMS) audit was being progressed. This suggested that monthly reconciliations between DMS and payroll should be undertaken to establish if the value of overtime on DMS equated to the value of overtime paid by payroll. Currently paper copies of overtime forms are completed, signed and sent to payroll. The CFO said that the management comments in the report had not reflected the Payroll Manager comments and the recommendation would not be implemented. The CFO said he would discuss this with the internal auditors. The Chair suggested that there should be some oversight to ensure the correct person completed the management comments. The Audit Director said that the CFO now saw all management comments.

3.17 The Chief Finance Officer said that he had received confirmation from the Facilities Manager that the catering staff had been vetted to the correct level. A member suggested that the catering contract should include a requirement for staff to notify their employer of any significant changes that may affect their vetting clearance.

3.23 The Chief Finance Officer said the budgetary control procedures had been approved on 7 March 2017. The Internal Auditors would highlight any areas of weakness in the course of their work.

4.12 Members were asked to send any comments on the internal audit reports to the Chair before the next meeting. The Chair would meet the Internal Auditors and CFO in April 2017.

5.3 The Chief Constable agreed to share the HMIC inspection programme with the Internal Auditors when it was issued.

3. IT INFRASTRUCTURE AND CORE SYSTEMS

3.1 The Director of ICT provided an overview of IT infrastructure and core systems in place.

3.2 Core infrastructure for Norfolk and Suffolk Constabularies included two data centres at a site in Norfolk with resilient energy supplies, back-up generators and uninterrupted power supplies (UPS). Of the 750 servers, the virtual servers (400) were considered to provide better value for money and were more environmentally friendly than the physical servers (350).

3.3 Telephony was managed internally providing an efficient and cost effective way of routing calls. The 'Airwave' network would be replaced by the nationally provided 'Emergency Services Network' during 2018.

- 3.4 Business Applications included 'Steria Storm' which was used to manage the operational responses to calls. The 'Athena' single operational solution had replaced a number of separate systems to allow cross force intelligence sharing and encompasses: crime, intelligence, case preparation, custody, tasking and property. Oracle ERP was introduced as a transformational back office system for HR, Finance, Procurement and Duty Management and again replaced a number of separate IT systems. The Constabulary used a Microsoft operating platform and the core office applications.
- 3.5 New capabilities were being developed using mobile applications so that officers were able to process information at the point of incident rather than having to return to a police station.
- 3.6 The storage phase for Body Worn Video had been completed and training was underway. It was confirmed that Body Worn Video was included on the internal audit plan.
- 3.7 A member noted that various internal audits had made recommendations concerning ERP and Athena and asked whether assurance could be provided that lessons had been learnt in regard to system implementation.
- 3.8 The Director of ICT said that a number of technical and operational issues had arisen during implementing. One of the main findings of the review that had been undertaken was that, despite reflecting on the implementation of Athena in Essex, the amount and level of training required had been underestimated. In addition, the abstraction from duties had a disproportionate impact on the workforce.
- 3.9 ERP had been implemented at the same time as significant workforce restructures causing some difficulties. The Head of Finance said that despite some user difficulties the ERP system had been delivered on time and within the budget. Further improvements were being made to ensure the system was being used to maximum effect.
- 3.10 The PCC asked whether the Constabulary fleet was fully equipped with Automatic Number Plate Recognition (ANPR) devices. The Chief Constable said that a review of ANPR was underway and would consider the back office functionality as well as the mobile devices in the Roads Policing unit. He said it was not prudent to renew kit in vehicles that would shortly to be taken off the road. ANPR would be installed in new vehicles.
- 3.11 A member asked whether the dependence on Microsoft systems was a potential weakness. The Director of Joint ICT said that, whilst there were challenges, Microsoft was the industry standard and common platform across the 43 police forces in England and Wales.
- 3.12 In relation to the quality of mobile technology and Body Worn Video, the Chief Constable said that the PCC had been keen to ensure that officers had the devices which would bring the best benefits to the public and organisation. The Constabulary was working to a regional standard for Body Worn Video.
- 3.13 A member asked whether the ICT systems described facilitated better working at a national level. The Chief Constable said that the Police Transformation Fund had supported a project to ensure the different systems across the 43 forces were able to link to each other. The Director of Joint ICT said that the national standards from the Home Office and Police ICT Company were complied with.
- 3.14 The Chief Constable confirmed that contingency plans were in place and had been tested should the technology fail. The Director of Joint ICT said that the Constabulary also had a responsibility for continuity of service under the Civil Contingency Act.

- 3.15 The PCC said that he had previously raised concerns about adequate project management and said that he would like reassurance regarding the implementation of the new telephony system. The delay in answering non-emergency (101) calls was often raised by members of the public with the PCC as a matter of concern.
- 3.16 The Director of Joint ICT said that the existing analogue system needed updating to enable more intelligent routing of calls. The procurement process initiated in 2016 had failed as no supplier was able to meet the requirements. Further work had been undertaken and a second tender process was successful. Delays during implementation could not have been avoided. The Director of ICT said that the main imperative was to make sure the system was delivered successfully.
- 3.17 The Chair said that the discussion on Constabulary ICT systems had been very informative. Audit Committee members suggested that they would be happy to contribute to Constabulary discussions on lessons learnt.

4. SUFFOLK INTERNAL AUDIT PROGRESS REPORT (Paper AC17/2)

- 4.1 The Head of Internal Audit said that the progress report was the penultimate report for the 2016/17 year. A final report would be presented to the Audit Committee in June.
- 4.2 The Audit Director said that good progress had been made with internal audits and all final reports were currently being completed. Comments from Audit Committee members had been incorporated into the format of the reports. The Chair said that it was pleasing to see that the internal audit timetable had been achieved. He said that the reports sent to the Committee were good and highlighted the important points.

HR Recruitment

- 4.3 The Audit Director said that the summary presented for the HR Recruitment audit provided an update on the report from December 2016.
- 4.4 The Chief Finance Officer confirmed that Recommendation 1 had been completed. In regard to Recommendation 2, the Director of Joint HR had confirmed that the recruitment code of practice was in draft format for consultation and would be completed by June 2017. Similarly the promotion policy referred to in Recommendation 3 will be consulted upon and finalised in June 2017. Recommendation 6 regarding vetting had been prioritised for implementation in September 2017.
- 4.5 Audit members asked how any change in implementation date was agreed and whether the importance of the recommendation was a factor in this. The Chief Finance Officer said that the Constabulary Organisational Board monitored delivery and any changes to the original implementation date had to be agreed at the Board. Further discussion on the process was being undertaken with the Internal Auditors. The Audit Director said that the Follow Up reports submitted to the Audit Committee would now reflect whether the implementation date had been revised. If the revised date was considered to be reasonable the Auditors would accept it.

Risk Management (Suffolk PCC)

- 4.6 The risk management audit (Suffolk PCC) had found there was substantial assurance with no action points arising.
- 4.7 The Internal Auditors had convened a meeting with new Constabulary Risk Manager. Internal audits would be linked to the risk register in future.

Purchase Cards (Suffolk Only)

- 4.8 The Audit Director said that the summary covered Suffolk only as the assurance rating was different to that assessed in Norfolk.

- 4.9 A member asked whether there was a solution to the issue whereby VAT receipts for online purchases were not available or submitted. The Audit Director said that this was a common issue and the solution was to change staff attitudes through the organisational approach. The Head of Joint Finance said that reminders had been issued regarding VAT receipts. He confirmed that the level of VAT not recoverable was not a substantial amount.
- 4.10 The Chief Finance Officer said that the Recommendation 1 regarding split credit card transactions had been actioned. Any instances as described in the findings would be brought to the attention of Procurement and Finance and the Head of Transactional Service would need to be satisfied it had been appropriate for the transaction level to have been breached.
- 4.11 The PCC said he was concerned that transactions would be split in order to avoid transaction limits. The Chief Finance Officer said that the management comments reflected the single case where this had happened and it was not a regular or deceitful occurrence. Should a transaction be split and the finance department were not satisfied it was a genuine emergency purchase, then sanctions would be considered. The Chair suggested that the protocol for purchasing goods and services over £500 should make clear the consequences of non-compliance.

Overtime, Expenses and Additional Payments

- 4.12 The Chair questioned why expenses policies needed to be harmonised, as recommended by the audit. He said that whilst different policies between Norfolk and Suffolk might be inefficient the existence of the policies meant a process was in place. The Audit Director said that a harmonised system would be more efficient in terms of time and reducing errors.
- 4.13 The Chief Constable said that the determinations from the Police Staff Council would be useful in harmonising policy. The Head of Finance agreed and said that the aligning current policies would improve efficiency in the HR and Finance departments.
- 4.14 In relation to recommendation 2, which was due to be completed by 31 March, the Chief Finance Officer said that testing of the 'expenses' system was in progress and would be complete within a week of the deadline.

Pensions

- 4.15 A member queried why the recommendation in relation to the pensionable pay calculation was marked as 'important'. The Audit Director said that no data output was available from the payroll system to verify whether the pension contributions being made were correct.
- 4.16 The Head of Finance said that a great deal of information was provided to the local government pension organisation who undertook their own reconciliations. This was thought by the member to be satisfactory as local government reconciliations were very thorough. The Audit Director said that if the local government controls had not been in place they would have considered the recommendation to be urgent.

HR Strategy and Workforce

- 4.17 The recommendation to complete data cleansing by 1 September was being aspired to but the Chief Finance Officer said that there was some chance that this will not be met.
- 4.18 A member asked whether the key findings in the report related to ERP were being actioned. The Audit Director confirmed that all the recommendations relating to ERP were being monitored.

Email Archiving

- 4.19 A member asked whether the reliance on Blackberry was still appropriate given the changes in device technology. The Chief Constable said that Blackberry technology was used for servers and not devices and this was considered to be acceptable.

5. AUDIT STRATEGIC PLAN AND ANNUAL PLAN 2017/18 (Paper AC17/3)

- 5.1 The Head of Internal Audit said that the suggestions made by members on the draft Strategic Plan and Annual Plan in March had been incorporated into the revised plan which was presented to the Audit Committee for comment.
- 5.2 The Audit Director highlighted the main changes to the plan. The audit of website content had been moved to 2018/19 to accommodate other more urgent audits.
- 5.3 In regard to the safeguarding audit that had been discussed at the last audit committee, the Audit Director said that a joint audit, incorporating all partner organisations in Suffolk would be too cumbersome for TIAA to undertake during 2017/18. The suggested audit for Suffolk Constabulary would look at Service Level agreements with other organisations and general safeguarding arrangements but would not extend the scope of the internal audit to other agencies as had been discussed.
- 5.4 The Chief Constable said he genuinely believed a cross-organisation audit of safeguarding should be considered for the future. He suggested that this should be something that could be commissioned separately to the current internal audit arrangements as it would need multi-agency co-operation and potentially a single auditor. The Chief Finance Officer suggested that discussions with Suffolk County Council and District Councils should be undertaken in the first place to see if there was an appetite for this.
- 5.5 The Audit Director said that cross organisational audits were becoming more common but required careful set up and agreement from all the organisations involved.
- 5.6 The Executive Director (External Audit) suggested a safeguarding audit could be something that the local adult and children safeguarding boards could consider as all relevant agencies were part of the Boards. Andrew Peck declared that he was a community lay member of the Local Safeguarding Children Board (LSCB). He said that the Chair of the LSCB had recently also been appointed as Chair of the Adult Safeguarding Board. It was suggested that the dual role might be helpful in co-ordinator any future audit.
- 5.7 The Chief Constable said that he and the PCC had both written to the Chair of the LSCB regarding terms of reference and would follow this up. The PCC said that as Suffolk Constabulary was a financial contributor to the LSCB he was in favour of a joint audit of safeguarding being undertaken to understand the efficiencies of the system and whether improvements could be made. The Chief Constable and the PCC said they would raise the need for a joint safeguarding audit with other public sector leaders in Suffolk.

Action: Chief Constable and PCC to discuss the possibility of a joint audit of safeguarding in Suffolk with public sector leaders.

- 5.8 The Chair said that he would support a joint audit in this area and see whether other joint audits would be feasible in future.
- 5.9 A member questioned whether the Safeguarding and Investigations audit in the plan related to investigations in relation to safeguarding. He asked whether there was any compromise in the role of the Constabulary to investigate incidents and crime. The Chief Constable said the Constabulary had a duty to safeguard as well as prevent and

detect crime. The Chief Constable said that because the boundary between adult services, children's services and the police was increasingly unclear he was keen to have a whole system audit.

- 5.10 The Audit Director said that the safeguarding audit would remain in the plan for delivery in 2017/18.
- 5.11 The PCC said he was pleased to see reference to the Police and Crime Plan. The Audit Director said that it would be helpful to meet the PCC separately in order to establish the scope.
- 5.12 A member asked why no follow up audit had planned in those areas which had limited assurance, for example the facilities and catering audits. The Audit Director said that the follow up to the recommendations made in the audit would be undertaken and reported on. In the case of the Catering audit the size/scope of the audit did not warrant another audit in 2017/18.
- 5.13 A member asked how the audit plan for 2017/18 responded to issues that had been raised in 2016/17, for example ERP and HR issues. The Audit Director said that another audit of Purchase Cards had been planned, as this had been an area of concern. The ERP system had been cited in various audit recommendations. These were currently being actioned and the internal audit follow up work would be assessing these. Reviews would be issued to the Audit Committee in June and December on the findings of the follow up work.
- 5.14 A member asked whether the scope of the absence management audit would include performance related issues. He was also interested in how the Constabulary managed work-life balance, as vacancies and the ongoing issues with recruitment that had been eluded to would mean that existing staff would be dealing with an increased workload. The Audit Director said that the audit would consider all the issues that affect absence for example whether there was particularly high staff turnover within certain departments. The Chief Constable said that he understood that Her Majesty's Inspectorate of Constabulary (HMIC) would also be considering staff well-being in their forthcoming inspections.

6. THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK AND CHIEF CONSTABLE OF SUFFOLK CONSTABULARY - AUDIT PLAN FOR THE YEAR ENDING 31 MARCH 2017 (Paper AC17/4)

- 6.1 The Executive Director for the External Auditors, Ernst and Young, presented the audit plan for the year ending 31 March 2017. The report, as in previous years, covered the Suffolk PCC Group of the Police and Crime Commissioner for Suffolk and the Chief Constable of Suffolk Constabulary.
- 6.2 The Auditors responsibilities were to provide an opinion upon the financial statements and a conclusion on the arrangements to secure value for money.
- 6.3 Section 2 of the report outlined the risks identified by the auditors in regard to financial statements. Three significant risks were outlined in the report as follows.
 - Risk of fraud in revenue recognition.
 - The risk of management override which was included in every audit engagement.
 - Changes in statutory reporting encompassing amendments by the Chartered Institute of Public Finance and Accountancy (CIPFA) to the way financial statements were presented. A new structure was required for statements and the auditors would undertake reviews to ensure compliance and consistency.
- 6.4 Section 3 of the report set out the considerations in regard to value for money. The Executive Director said that the auditors were required to ensure the PCC and Chief

Constable had put in place proper arrangements to secure economy, efficiency and effectiveness on its use of resources.

- 6.5 The auditors would take account of HMIC findings and review the assumptions made in budgeting and developing savings plans for the medium term.
- 6.6 The PCC said that HMIC did not take account of case load and resource available in their Police Effectiveness, Efficiency and Legitimacy (PEEL) assessments. His opinion was that Suffolk was underfunded per head of the population and asked whether this could be factored in to the audit assessment of value for money. The Executive Director said that this would not be in the scope of the external auditors as funding was a matter of national policy. The role of the external auditors was to consider the arrangements in place to ensure the PCC and Chief Constable were using the resources they did have in the most efficient and effective manner.
- 6.7 The Executive Director brought to the attention of Committee members the statement at section 4.4 of the report on materiality. A member asked whether the materiality levels related to single or multiple items. The Executive Director said that broadly the levels would relate to single items, however if there were a number of items when aggregated were an omission or misstatement which could reasonably be expected to influence users of the financial statements, the auditors would consider bringing this to the attention of the Audit Committee.
- 6.8 Section 5 of the report provided confirmation that the auditors were independent and that therefore reliance could be placed on their work.
- 6.9 A member asked whether any post-Brexit issues on accounting standards had been considered. The Executive Director said changes were not likely in the short term and that EU standards were broadly consistent with international standards. It was likely that in the longer term a number of changes would take place.
- 6.10 A member asked for comment on the extent to which the external auditors were able to rely on the internal auditors, as this was an assumption outlined on page 13 of the report. The Executive Director said that in general the external auditors were able to rely on internal audit findings and they would continue to review the assurance received from the internal auditors. Any concerns would be raised with the internal auditors and with the Audit Committee.

7. ACCELERATING FINANCIAL CLOSE ARRANGEMENTS

- 7.1 The Head of Joint Finance said that early close arrangements would be in effect for the 2017/18 financial accounts. The timetable will mean that the draft accounts will need to be published by 31 May (currently end June) and audited by 31 July (currently end September).
- 7.2 A pilot of the early close was currently taking place for the 2016/17 accounts. Delays were likely to occur in the areas where the Constabulary was reliant on information from external bodies, for example pension and insurance organisations and the Eastern Region Specialist Operations Unit (ERSOU) and internal departments, for example HR and Estates. The suggested approaches in these cases were to use an estimate, accrue or extrapolate. The Finance department was currently discussing these options with the External Auditors.
- 7.3 The pilot has already provided some lessons learnt which would be addressed in the 2017/18 financial year. The main challenge foreseen would be undertaking the external audit within the reduced timescales.

8. ANY OTHER BUSINESS

8.1 The Chief Executive said that the 'Review of Effectiveness of the System of Internal Control' report presented to members at the June 2016 had included the CIPFA "Self-assessment of Good Practice" checklist for Audit Committees. Last year, as historically, these had been presented to the committee at the meeting. Members had indicated they would like to see these assessments in advance.

Action: The Chief Executive and Chief Finance Officer will circulate the assessments in advance of the June Audit Committee meeting for comment before finalising the report.

8.2 The Chief Finance Officer confirmed that the following the Employment Appeal Tribunal judgement, the Court of Appeal had dismissed an appeal against the decision that justified police forces' use of regulation A19.

8.3 It was agreed that an update in relation to questions arising from the EY quarterly would be provided at future Audit Committee meetings.

Action: The Chief Finance Officer will provide a response to issues raised in future EY quarterly briefings.

The meeting closed at 11.50am

SUMMARY OF ACTIONS

Item	Action	Owner
5.7	Chief Constable and PCC to discuss the possibility of a joint audit of safeguarding in Suffolk with public sector leaders.	Chief Constable and PCC
8.1	The Chief Executive and Chief Finance Officer will circulate the assessments in advance of the June Audit Committee meeting for comment before finalising the report.	Chief Executive and CFO
8.3	Future meetings to provide a response to the issues raised in the EY quarterly briefing.	CFO.